

SPOKANE'S WINDING ROAD TO RECOVERY

A HISTORICAL VIEW OF SPOKANE'S
ECONOMIC ROAD

Question

- How should decision maker's view and **prioritize** local economic information?



THE COW PATH

- One day thru the primeval wood a calf walked home, as good calves should, but made a trail all bent askew, a crooked trail, as all calves do. Since then three hundred years have fled, and I infer, the calf is dead, but still behind he left his trail, and thereon hangs my mortal tale.

The Winding Road

The trail became a path, then a lane, then a road, then a street and finally a major highway.

.....So we are all led by one poor calf, three centuries dead. For just such reverence is lent to well established precedent.For men are prone to go it blind along the calf paths of the mind; and work away from sun to sun, to do what other men have (already) done!

Introduction

- **FOLLOWING THE PATH IS BOTH A WEAKNESS AND STRENGTH!**
- **SHOULD I INVEST? SHOULD I HIRE? WHO SHOULD I HIRE? WHERE IS THE OPPORTUNITY?**
- **IS THIS THE BEST PLACE FOR ME?**
- **OUR MUTUAL GOAL:**
- **USING THE PAST (HISTORY) AND THE PRESENT TO FORECAST THE FUTURE!**

NOT EVERYONE AGREES, BUT MY BIAS IS FOR GROWTH

Some Limitations

- **ACKNOWLEDGE ESTEEMED SPEAKERS AND THIS AUDIENCE**
- **PATRICK JONES, RANDI BARCUS, GRANT FORSYTHE AND GLENN CRELLIN**
- **FIDELITY MSB RESEARCH DIRECTOR 1961**
- **SKRERC FOUNDER, 35 YEARS AGO**
- **I AM A USER OF THE DATA**
- **INVESTMENT BUSINESS**
- **AVOCATION..NOT VOCATION**
- **BIG PICTURE WITH A LONG (OLD) PERSPECTIVE**

A History of Economic Analysis

- 50 YEARS AGO, NO *GOOGLE*, *WIKIPEDIA* OR INTERNET SEARCH
- DATA AVAILABILITY WAS A BIG PROBLEM. STILL IS TO A DEGREE. (AUSTERITY EFFECT?)
- DATA ACCURACY AND QUALITY PROBLEMS
- **CONSTANT DATA REVISIONS**
- ECONOMIC BASE STUDY EARLY SIXTIES
- BEA INPUT/OUTPUT ANALYSIS

Sources over the years

- **SOURCES: U.S GOVERNMENT AGENCIES, BEA, CENSUS DEPARTMENT,**
- **WASHINGTON STATE AGENCIES, SPOKANE CHAMBER AND EDC, EWU, WSU**
- **AVISTA, WHARTON SCHOOL, DRI AND ALLAN SINAI, ED YARDINI, MIT,**
- **BLUE CHIP FORECASTERS, MAURY HARRIS,**
- **GLOBAL INSIGHT, WACHOVIA BANK, FIRST TRUST AND MANY OTHERS.**

My Principles of Analysis

- **PAY ATTENTION TO RESEARCH!**
- **PRIMARY DATA IS RARE AND MOST IMPORTANT**
- **SECONDARY DATA IS MORE AVAILABLE AND REQUIRES MUCH MORE INTERPRETATION**
- **MASS ATTRACTS MASS, TRUE IN PHYSICS...TRUE IN ECONOMICS**
- **INERTIA IS AN ECONOMIC FORCE**
- **SURVEYS AND SAMPLING ON THE GROUND ARE IMPORTANT**

More Principles

- **ROLE OF CONSUMER PSYCHOLOGY**
- **RESULTS AND PATTERNS BASED ON THE LAW OF LARGE NUMBERS**
- **VALUE OF 12 MONTH MOVING AVERAGES**
- **CYCLES CAUSED BY WEATHER OR LOCATION**
- **LONG WAVES OF BEHAVIOR**
- **EFFECTS OF EXTERNAL FORCES**
- **EFFECTS OF MIGRATION**

More Principles

- **PRODUCTIVITY IS A HALLMARK OF OUR ECONOMY**
- **TIME SERIES TELL THE STORY, BIG DEAL!**
- **USE OF CORRELATION, LINEAR ESTIMATION AND MODELING**
- **BROKERS LONG VIEW OF DATA, AT LEAST 10 YEARS AND LONGER!**
- **DEVELOP CONVICTION**
- **FOLLOW THROUGH WITH ENTHUSIASM**

Prioritization/Relative Importance

- A FRAMEWORK IS IMPORTANT
- LONG TERM TRENDS WITHIN A BASIC FRAMEWORK
(DON'T MIND THE MINUTIA)
- Gross MSA Product

Population

- Jobs
- Income

GROSS MSA PRODUCT

- NEW AVAILABILITY
- NOMINAL IS NOW ABOUT **\$18 BILLION**
- REAL 2006 \$15.878 BILLION, 2007 \$16.348 BILLION, 2008 \$16.270 BILLION
- AND 2009 \$15.954 BILLION.
- BASED ON PERSONAL INCOME, BUSINESS AND GOVT. DATA

POPULATION/PEOPLE

- BIG DRIVERS: WORLD WAR 1, GRAND COULEE, WORLD WAR 2,
- KOREAN WAR, VIETNAM WAR, EXPO 74, BERLIN WALL TORN DOWN,
- DEFENSE DOWNSIZE (CA. IMPACT), FIRST GULF WAR AND 911
- AND NOW THE CREDIT CRISIS, HOUSING RETRENCHMENT PLUS DELEVERAGING!

POPULATION DETAIL

- CENSUS DATA, PRIMARY
- RESIDENTIAL ELEC. METERS, ACTIVE
- HOUSING STOCK AND VACANCIES
- SCHOOL ENROLLMENTS
- AUTO LICENSE RE-REGISTRATION

EMPLOYMENT/JOBS

- LABOR FORCE
- RESIDENTIAL SURVEY
- **WAGE AND SALARY, PRIMARY (WITH LIMITS)**
- UNEMPLOYMENT AND MULTIPLE COMPARISONS

- EMPLOYMENT COMPOSITION REPORTS
- PRIMARY AND SECONDARY EMPLOYMENT
- NEW BUSINESS AND CAPITAL INVESTMENT

PERSONAL INCOME

- MSA NOMINAL INCOME DATA
- MSA REAL INCOME DATA
- **MSA PER CAPITA REAL INCOME**
- MSA HOUSEHOLD INCOME
- MSA RETAIL SALES BY CATEGORY
- MSA COST OF LIVING DATA
- MSA GOV. TRANSFER PAYMENTS

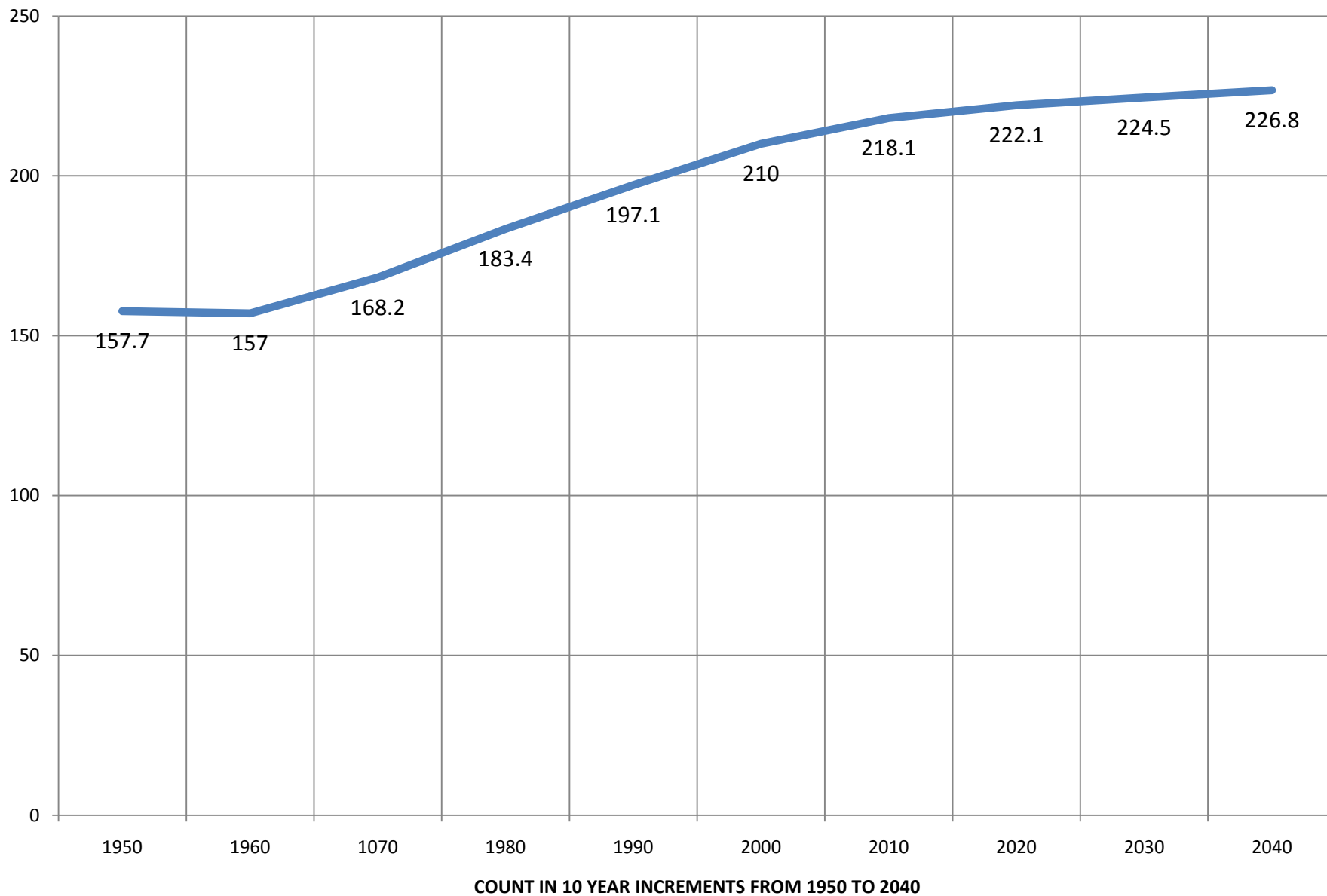
SECONDARY/PERSONAL INCOME

- MSA RETAIL SALES BY CATEGORY
- MSA COST OF LIVING DATA
- MSA REAL ESTATE SALES
- MSA CONSTRUCTION SALES
- MSA FORECLOSURES
- MSA PERMITS/CONSTRUCTION DATA
- MSA RENTAL DATA

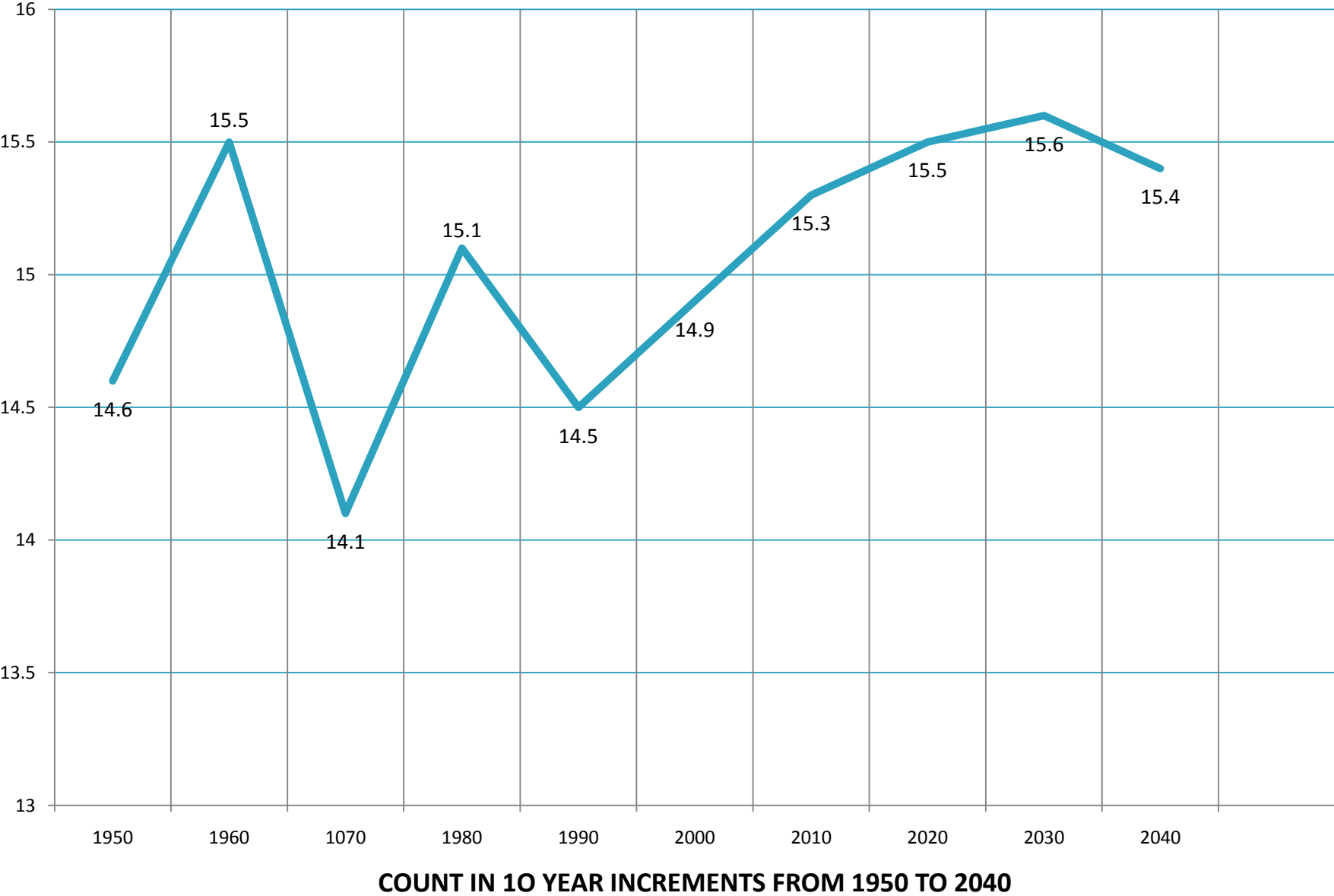
SOME CURRENT OBSERVATIONS

- INERTIA EXISTS BUT PEOPLE ARE “FROZEN”**
- JOBS HELD UP WELL ON A COMPARATIVE BASIS**
- LOCAL UNEMPLOYMENT RATE HAS STRONG CORRELATION WITH STATE AND NATION**
- PERSONAL INCOME IS “HO-HUM.” THE GAP ON REAL PER CAPITA PI WITH NATION AND STATE IS CONSTANT BUT SLOWLY DETERIORATING.**
- ROI TIMEFRAME WITH LOW GROWTH RATES**

WASHINGTON POPULATION PER 10,000 U.S. POPULATION OVER TIME

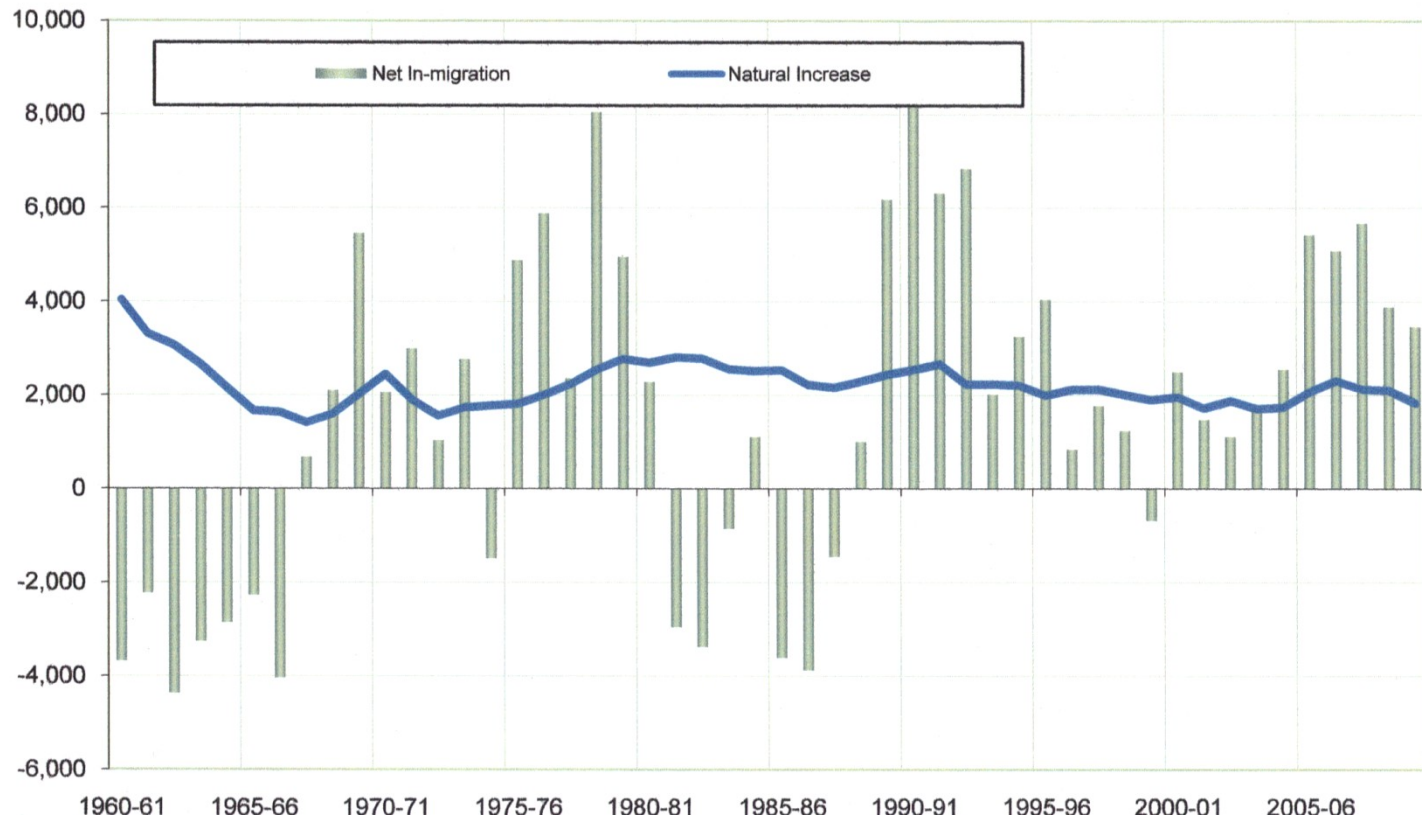


SPOKANE POPULATION PER 10,000 U.S. POPULATION OVER TIME

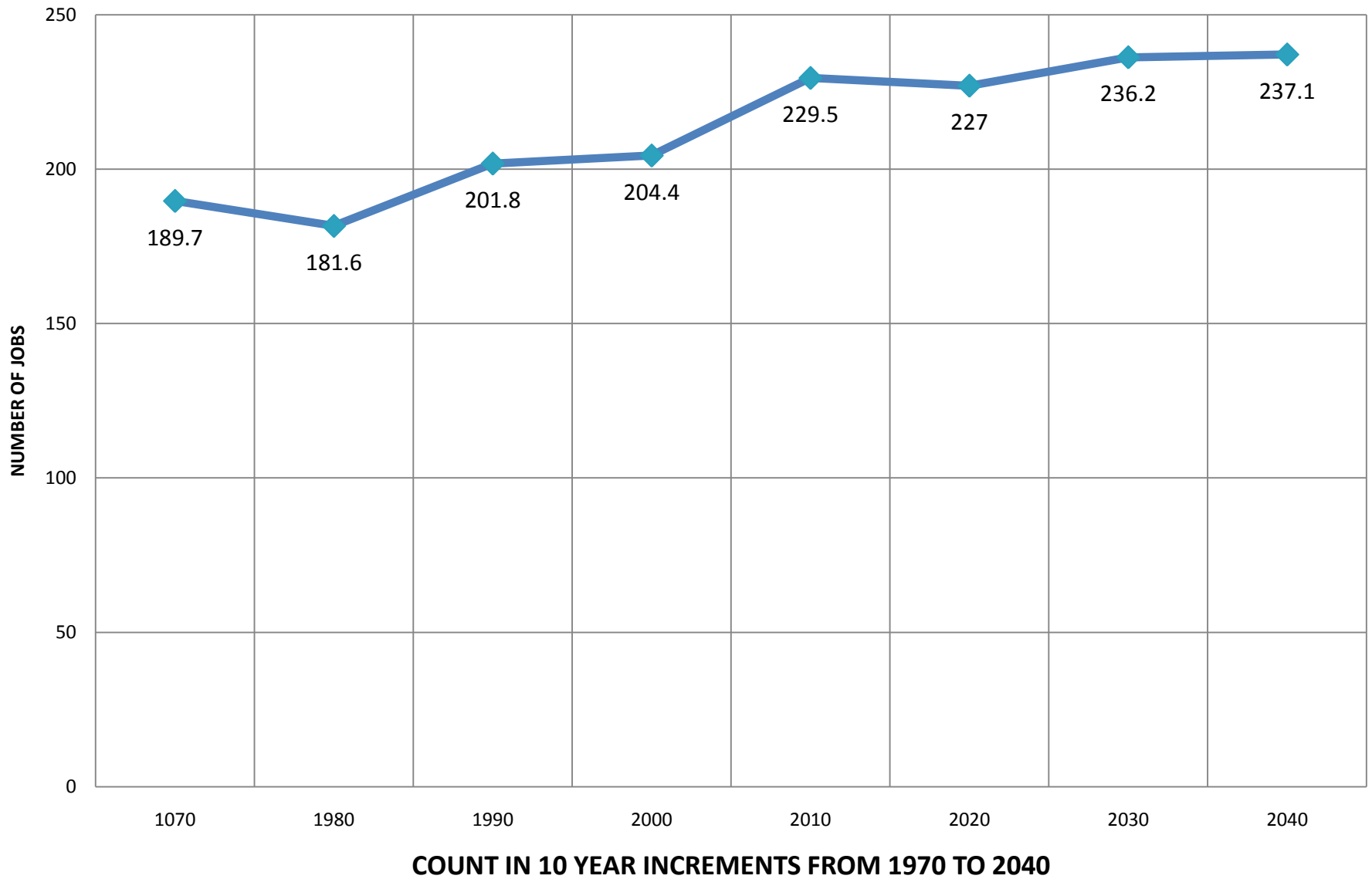


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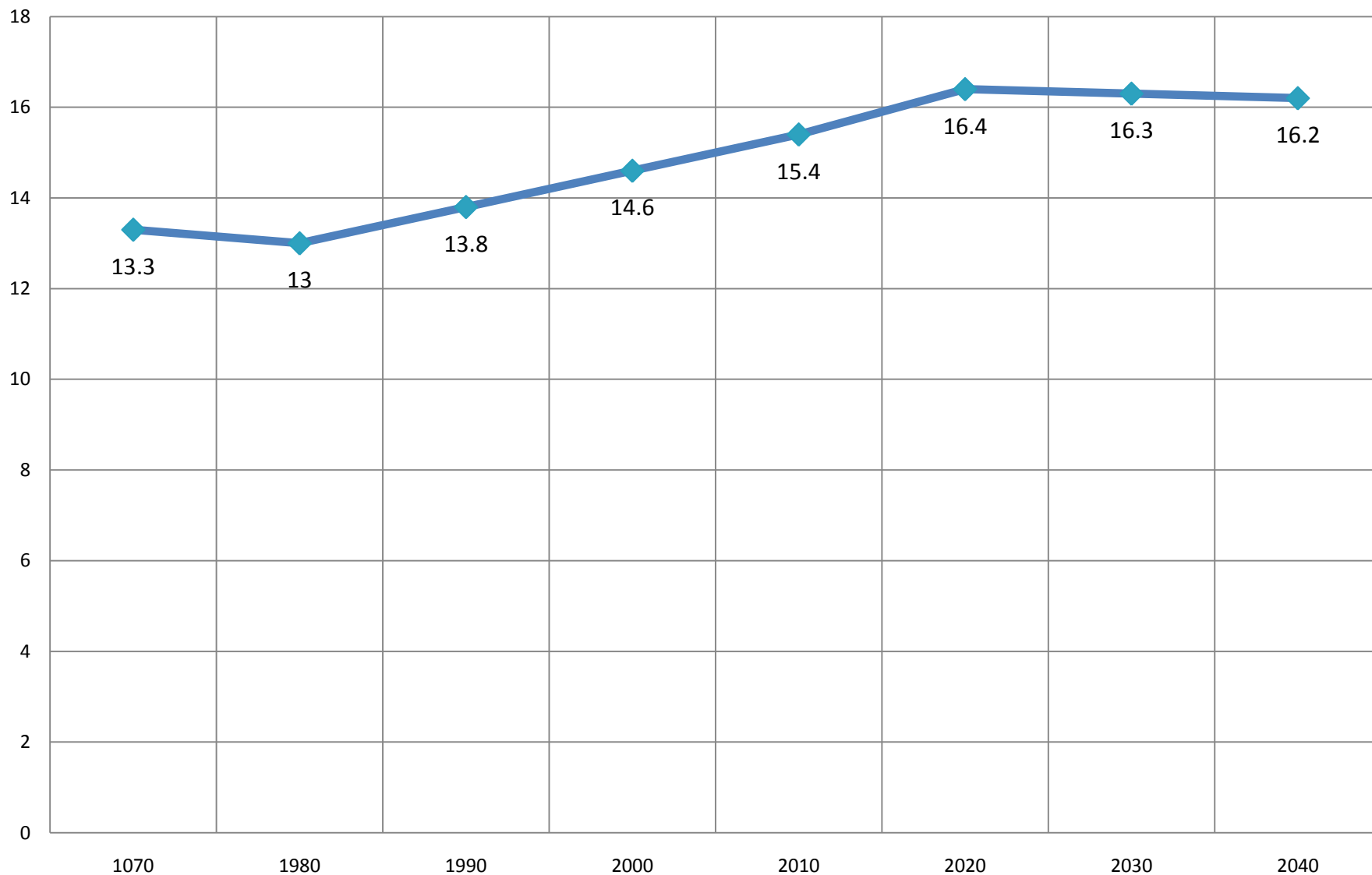
Annual Population Change: Natural Increase and Net In-migration Spokane County



WASHINGTON TOTAL EMPLOYMENT PER 10,000 U.S. TOTAL EMPLOYMENT

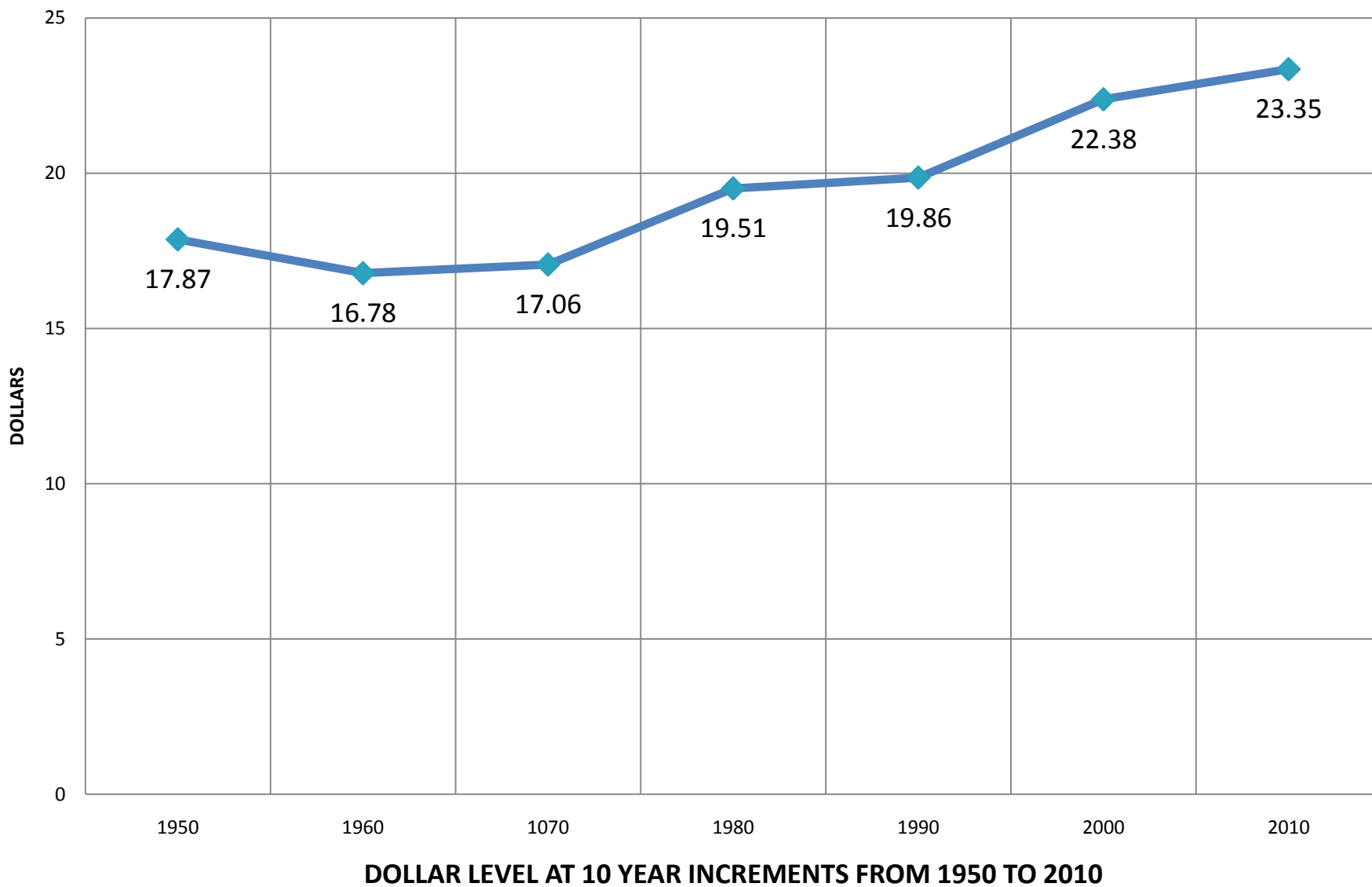


SPOKANE TOTAL EMPLOYMENT PER 10,000 U.S. TOTAL EMPLOYMENT

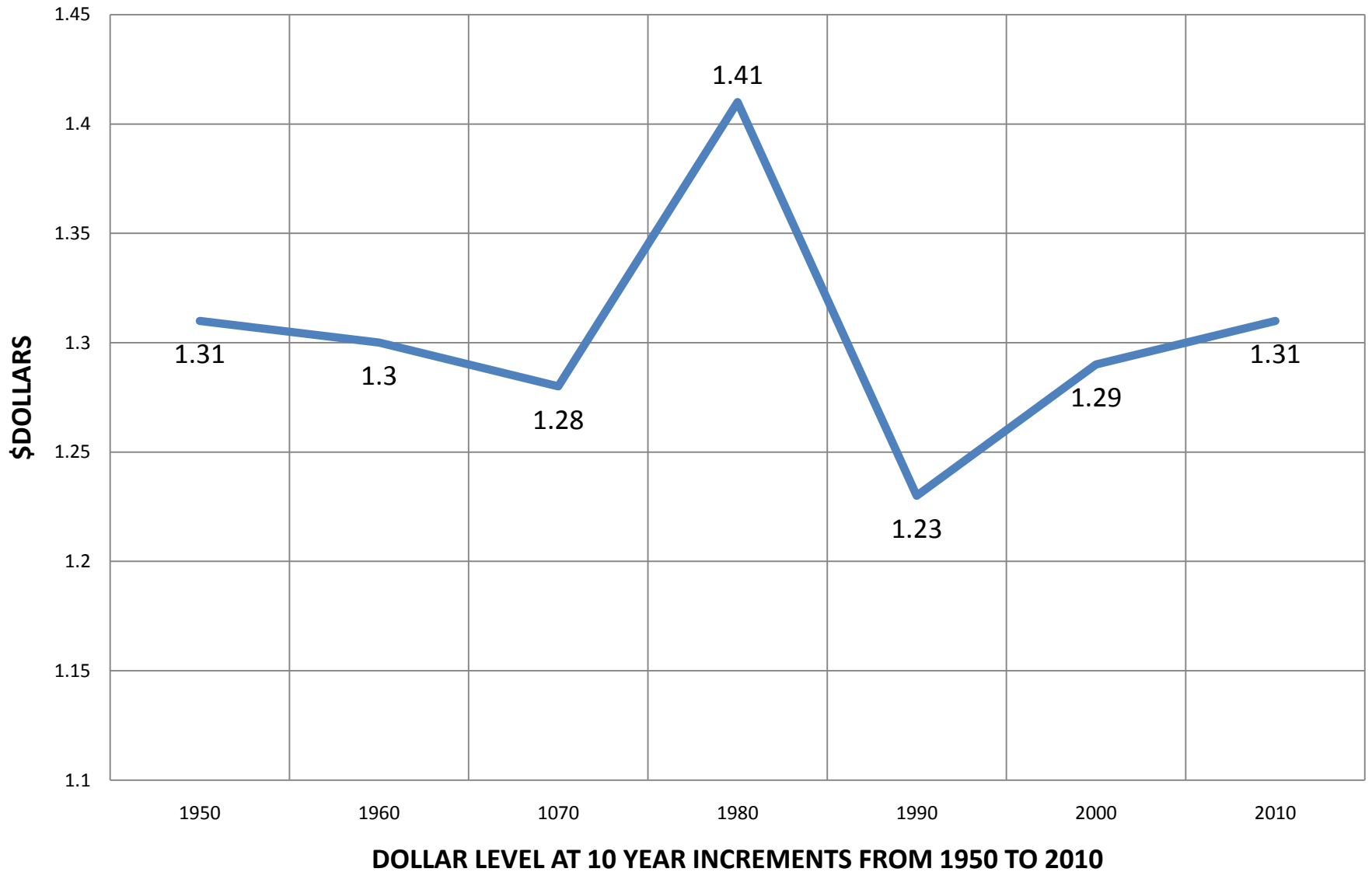


COUNT IN 10 YEAR INCREMENTS FROM 1970 TO 2040

WASHINGTON NOMINAL PERSONAL INCOME PER \$1000 U.S. PERSONAL INCOME



SPOKANE NOMINAL PERSONAL INCOME PER \$1000 U.S. PERSONAL INCOME OVER TIME



CONCLUSION

- APPRECIATE THE **HISTORY** AND THE ABUNDANCE OF DATA
- APPRECIATE THE MANY METHODS OF RESEARCH
- THERE IS A **FRAMEWORK** TO EVALUATE THE DATA AND IT INVOLVES THE PRIORITIZATION OF THE DATA..**PEOPLE, JOBS AND INCOME**
- CERTAIN CONCLUSIONS FOR SPOKANE CAN BE DRAWN FROM THE LONG TERM METHODS.
- USE THAT **“LONG RUN” APPROACH** ...(EVEN THOUGH IN THE LONG RUN WE ARE ALL DEAD!)